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FISCAL IMPACT STATEMENT

LS 6596

BILL NUMBER: HB 1251

NOTE PREPARED: Jan 13, 2014

BILL AMENDED:

SUBJECT: Tax Credit for Tuition Expenses.

FIRST AUTHOR: Rep. Battles

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☐ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides a tax credit against state tax liability to an employer that incurs tuition expenses for a course taken by an employee at a state educational institution if the employee achieves a final grade point of at least 2.0 (or its equivalent) for the course.

Effective Date: January 1, 2015.

Department of State Revenue (DOR): The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credit. The DOR's current level of resources should be sufficient to implement this change.

Explanation of State Revenues: *Summary* - The bill establishes a nonrefundable tax credit for an employer that: (1) incurs tuition expenses for an employee who attends a state educational institution and receives a grade of at least a C in the course; and (2) does not claim the federal tax deduction for the tuition assistance. Creditable tuition includes the cost of required books, course supplies, and course fees.

The revenue loss from this credit could be significant, with a substantial portion of credits being claimed by employers already paying employee education expenses. The U.S. Bureau of Labor Statistics (BLS) estimates that 49% of all workers have access to work-related education assistance from their employers. If the take-up rate for employer-provided educational assistance by employees estimated to have access to such assistance is 1%, about 11,700 Indiana workers annually would receive such educational assistance. Based on 6 credit hours of course work per year and tuition cost, including book costs, ranging from \$1,000 to \$2,000, creditable employer-provided tuition assistance for this group could total \$11.7 M to \$23.4 M per year. The tax credit is effective beginning in tax year 2015, so revenue loss from the credit likely would begin in FY

2016. The revenue loss could begin in FY 2015, if employers eligible for credits change their estimated payments in the first half of 2015.

Additional Information - The tax credit could be claimed by employers paying individual or corporate adjusted gross income tax, financial institutions tax, or insurance premiums tax. Revenue from these taxes is distributed to the state General Fund. The tax credit is nonrefundable, and unused credits may not be carried back. However, unused credits may be carried forward for up to five years.

The revenue loss scenario is based on employee benefit estimates data from the BLS suggesting that 49% of all private sector workers have access to work-related education assistance from their employers. The total Indiana private sector employment for the first quarter 2013 was almost 2.4 million, based on BLS estimates as of September 2013. Current information is unavailable as to the worker take-up rate of education assistance offered by employers, so 1% is assumed for the scenario. The tuition range, including cost of required books and other fees, is representative of such costs at Ivy Tech and IUPUI.

Survey results published by the National Center for Education Statistics, U.S. Department of Education, have indicated that the participation rate in work-related education could actually be higher. If the take-up rate for the employer-based educational assistance is assumed to be 5%, the fiscal impact could be between \$58.6 M to \$117.1 M.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenues.

Local Agencies Affected:

Information Sources: U.S. Bureau of Labor Statistics, *Employee Benefits Survey*, <http://www.bls.gov>. Ivy Tech Community College, *Affordable Tuition*, <http://www.ivytech.edu/why-ivy-tech/>. IUPUI, *IUPUI Tuition & Fee Estimator*, <http://finance-admin.iupui.edu/costestimator.aspx>. U.S. Bureau of Labor Statistics, *Quarterly Census of Employment and Wages*, modified September 26, 2013, <http://www.bls.gov>. Labor Force Participation in Formal Work-Related Education in 2000-01, <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2005048>

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